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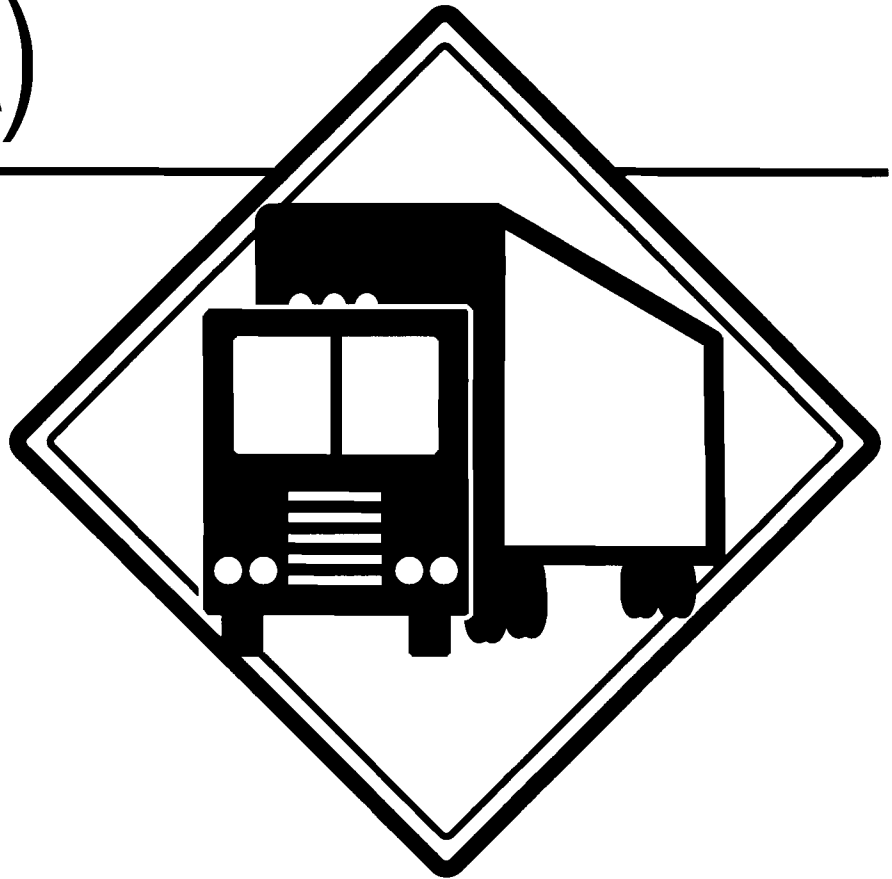


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**Commonwealth of Massachusetts**

**Department of Revenue**

# International Fuel Tax Agreement (IFTA)





# Introduction

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The purpose of this manual is to outline the steps involved in licensing under the International Fuel Tax Agreement (IFTA). The International Fuel Tax Agreement is an agreement among states and Canadian Provinces to simplify the reporting of fuel taxes by interjurisdictional and interstate motor carriers. Upon application, the carrier's base jurisdiction will issue credentials (license and decals) which will allow the IFTA licensee to travel in all IFTA member jurisdictions.

Massachusetts may be your base jurisdiction for IFTA licensing and reporting if:

- 1. You maintain the operational control and records for qualified motor vehicles in Massachusetts or can make those records available in Massachusetts;**
- 2. You have qualified motor vehicles which actually travel on Massachusetts highways; and**
- 3. You operate in at least one other IFTA member jurisdiction.**

The IFTA license offers several benefits to the interstate motor carrier. These benefits include the following: one application, one set of credentials, one quarterly tax report which reflects the net tax or refund due, and in most circumstances one audit conducted by your base jurisdiction. These advantages all lead to cost and time savings for the interstate carrier.

IFTA carriers operating in non-IFTA jurisdictions must continue to follow the procedures and file the returns required by the laws and regulations of those non-IFTA jurisdictions.

Technical assistance and information pertaining to the International Fuel Tax Agreement can be obtained by contacting the Processing Division, Excises Unit at the following address:

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A large diamond-shaped sign with a double black border containing contact information for the Massachusetts Department of Revenue.

**Massachusetts  
Department of Revenue  
Processing Division  
Excises Unit  
P.O. Box 7012  
Boston, MA 02204  
(617) 626-3073  
(617) 626-3071**



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# I. Key Terms

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## **“Base Jurisdiction” and “Qualified Motor Vehicle”**

Two basic terms shape the workings of IFTA. The first term, “base jurisdiction,” establishes the jurisdiction to which a carrier will make fuel tax payments. Your base jurisdiction will then distribute the appropriate amounts of tax owed to each IFTA member jurisdiction for you. Massachusetts may be your base jurisdiction if:

- ➡ your vehicle(s) is registered in Massachusetts;
- ➡ your vehicle’s records are maintained or can be made available in Massachusetts; and
- ➡ at least one of your vehicles logs miles within Massachusetts.

The second term defines the kinds of vehicles that qualify for an IFTA license. These “qualified motor vehicles” are defined as motor vehicles used, designed or maintained to transport people or property and that:

- ➡ have two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds, or 11,797 kilograms; or
- ➡ have three or more axles, regardless of weight; or
- ➡ are used in combination when such combination exceeds a gross vehicle weight or registered gross vehicle weight of 26,000 pounds or 11,797 kilograms.

Recreational vehicles are not considered qualified vehicles.

If you have more than one fleet operating out of more than one jurisdiction, more than one jurisdiction could qualify as your base jurisdiction. In this instance, the jurisdictions involved may agree to designate one jurisdiction as your base jurisdiction. This designation must be approved in writing by each affected jurisdiction.



# II. Registration

## A. Application Requirements

Any motor carrier based in Massachusetts and operating one (1) or more qualified motor vehicles in at least one (1) other IFTA member jurisdiction must file an IFTA Credential Application in Massachusetts. If a carrier qualifies as an IFTA licensee but does not wish to participate in the IFTA program, trip permits must be obtained to travel through member jurisdictions in accordance with the regulations of each member jurisdiction. Applications must be filled out completely and typed or printed in ink. Submit the completed application to the Massachusetts Department of Revenue, Processing Division, Excises Unit, P.O. Box 7012, Boston, MA 02204.

A carrier will not be issued IFTA credentials if its IFTA account is delinquent, or if the carrier was previously licensed in another IFTA member jurisdiction and the carrier's license has been suspended or revoked and is still in that status in that member jurisdiction. The Department of Revenue will not issue a license if the license application submitted contains misrepresentations, misstatements or omissions of required information.

## B. IFTA Fees

IFTA licenses are renewed and decals are issued annually. The decals are expected to cost \$8.00 per set.

## C. IFTA Credentials

### 1. License

An IFTA license will be issued for each qualified motor vehicle operating in IFTA member jurisdictions. The license or a photocopy of the IFTA license must be maintained in the cab of each qualified motor vehicle. The IFTA license is valid for the calendar year January 1 through December 31. If a carrier is found operating a qualified motor vehicle without an IFTA license, the vehicle operator may be subject to the purchase of a trip permit and a fine.

### 2. Decals

Two decals will be issued for each qualified motor vehicle operated by the IFTA licensee. IFTA requires that one decal be placed on the exterior of the passenger's side of the power unit. The second decal should be placed on the exterior portion of the driver's side of the power unit. A licensee may request extra decals for fleet additions. Decals that are assigned to new owner-operators whose qualified vehicles are under a long-term lease must be recalled once the lease is terminated. Failure to display the IFTA decals properly may subject the vehicle operator to the purchase of a trip permit and a fine.

Licensees may request additional decals throughout the license year by completing an application form.

### 3. Grace Period

Massachusetts will be an IFTA member jurisdiction beginning January 1, 1996. Massachusetts-based carriers will have a two-month grace period to display 1996 IFTA credentials. To operate in IFTA jurisdictions during this grace period, the carrier must display one of the following:

- a. a valid 1995 motor fuel use tax credentials from the IFTA jurisdiction in which it is operating; or
- b. a single trip permit from the IFTA jurisdiction in which it is operating.

### 4. Temporary IFTA Permit

This is a permit issued by the base jurisdiction to be carried in a qualified motor vehicle in lieu of the permanent annual decals. A temporary permit is vehicle-specific and is valid for a period of thirty (30) days to allow the carrier adequate time to affix the permanent decals. **The temporary IFTA permit will be issued only to currently registered IFTA carriers.**



### 5. Single Trip Permits

In lieu of registration in a motor fuel use tax program, an interstate motor carrier who operates commercial vehicles in Massachusetts must purchase a 72-hour trip permit at an anticipated cost of \$20.00. **Note: under the same circumstances you will most likely be required to purchase trip permits in other IFTA member jurisdictions, where prices and time periods will vary.**

## D. Reporting Requirements

All licensees must file an IFTA quarterly tax report with the Excises Unit. The tax due or refund amount is calculated for each member jurisdiction on this report. If there is a net tax due, the licensee will submit a check to the Commonwealth of Massachusetts; if there is a refund due, the licensee will receive a refund check from the Commonwealth of Massachusetts. Tax rates provided with the IFTA quarterly tax report will be current for all member jurisdictions.

The following information is required on the IFTA quarterly tax report:

1. Total miles, taxable and nontaxable, traveled by the licensee's qualified motor vehicles in all jurisdictions, IFTA and non-IFTA, including trip permit miles;
2. Total gallons of fuel consumed, taxable and nontaxable, by licensee's qualified motor vehicles in all jurisdictions, IFTA and non-IFTA;
3. Total miles and taxable miles traveled in each member jurisdiction;
4. Taxable gallons consumed in each member jurisdiction;
5. Tax-paid gallons purchased in each member jurisdiction; and
6. Current tax rates for each member jurisdiction.

The IFTA quarterly tax report will be sent to all IFTA licensees at least thirty (30) days prior to the due date. Failure to receive the quarterly tax report does not release the licensee from reporting obligations. **A quarterly tax report must be filed even if the licensee does not operate or purchase taxable fuel in any IFTA member jurisdiction in a particular quarter.**

The due date for the quarterly tax report is the last day of the month immediately following the close of the quarter for which the report is being filed.

These dates are as follows:

Reporting Quarter	Due Date
January — March . . . . .	April 30
April — June . . . . .	July 31
July — September . . . . .	October 31
October — December . . . . .	January 31

The quarterly tax report must be postmarked by the due date. If the due date is a Saturday, Sunday or legal holiday, the next business day is considered the due date. The licensee will be subject to the IFTA penalty and interest provisions if the report is not filed in a timely manner.



## E. Penalty and Interest

If a licensee fails to file a report, files a late tax report, or fails to remit any tax due, the licensee is subject to penalty and interest. The penalty for failure to file a tax report when due is the greater of fifty dollars (\$50.00) or ten percent (10%) of the net tax due to all member jurisdictions. Interest is computed on all delinquent taxes due each jurisdiction at a rate of one percent (1%) per month, from the date the tax was due for each month, or fraction thereof, until paid.

## F. Bonding/Certified Check

A bond may be required for just cause (e.g., when a licensee fails to file timely reports, when tax has not been remitted, or when an audit indicates problems that warrant bonding). A licensee required to post a bond must provide a surety bond, bank certificates of deposit, or any other obligation that the Massachusetts Department of Revenue deems appropriate. **Payment by certified check is required from any licensee required to post bond.**

## G. Compressed Natural Gas (CNG)

CNG and other fuels that cannot be measured in gallons must be converted to gallons by using the conversion factor used by the jurisdiction in which the fuel was consumed.

## H. Refunds and Credits

A refund may be claimed on the IFTA tax report for any overpayment of tax in a reporting period. Please check the box on the IFTA tax report if a refund is requested. A refund will be issued after the Department has determined that all tax liabilities, including any outstanding audit assessments, have been satisfied to all member jurisdictions. A refund may be denied if the licensee is delinquent in filing any quarterly tax report(s).

If a refund is not requested, the credit will be carried forward to the next period. **Earned credits will expire if not used after eight (8) quarters.**

## I. Tax-Exempt Miles

IFTA recognizes that some jurisdictions have unique economic and geographic characteristics which have given rise to various definitions of tax-exempt miles. If questions arise, contact the individual member jurisdictions. All jurisdictions require supporting documentation.

**These miles should be reported. Total miles should be reduced only on the jurisdiction calculation, not the miles per gallon calculation.**

## J. Exempt Fuel Use

IFTA jurisdictions may define specific tax-exempt fuel use in their own jurisdiction. **This exemption is not calculated on the IFTA tax report.**

An exemption must be obtained from the jurisdiction in which the tax was paid. The licensee must maintain adequate records to support the exemption claimed and submit a separate refund claim for tax paid on tax-exempt fuel directly to the appropriate taxing jurisdiction.



# III. Lease Agreements and Tax Responsibility

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The carrier operating a vehicle is always responsible for the payment of fuel tax, unless a lease agreement specifically states otherwise. For example, if a carrier leasing a vehicle is stopped by a law enforcement officer and the lease agreement does not show that the lessor is responsible for the payment of fuel tax, the carrier will be held responsible. Similarly, a carrier who is audited by the Department must have documentation proving that the payment of fuel tax is the responsibility of another party or the carrier must pay the tax.

The following five items, taken directly from the IFTA Articles of Agreement, address the tax responsibility of lessors, lessees, independent contractors and household goods agents.

1. A lessor who is regularly engaged in the business of leasing or renting motor vehicles without drivers for compensation to licensees or other lessees may be deemed to be the licensee, and such lessor may be issued a license if an application has been properly filed and approved by the base jurisdiction.
2. In the case of a carrier using independent contractors under long-term leases (more than 30 days), the lessor and lessee will be given the option of designating which party will report and pay fuel use tax. If the lessee (carrier) assumes responsibility for reporting and paying motor fuel taxes, the base jurisdiction for purposes of this agreement shall be the base jurisdiction of the lessee, regardless of the jurisdiction in which the qualified motor vehicle is registered, for vehicle registration purposes by the lessor.
3. In the case of a short-term motor vehicle rental, by a lessor regularly engaged in the business of leasing, or renting motor vehicles without drivers, for compensation to licensee or other lessees of 29 days or less, the lessor will report and pay the fuel use tax unless the following two conditions are met:
  - a. The lessor has a written rental contract which designates the lessee as the party responsible for reporting and paying the fuel use tax; and
  - b. The lessor has a copy of the lessee's IFTA fuel tax license which is valid for the term of the rental.
4. In the case of a carrier using independent contractors under short-term/trip leases of 29 days or less, the trip lessor will report and pay all fuel taxes.

In case of a household goods carrier using independent contractors, agents, or service representatives, under intermittent leases, the party liable for fuel tax shall be:

- a. The lessee (carrier) when the qualified motor vehicle is being operated under the lessee's jurisdictional operating authority. The base jurisdiction for purposes of this agreement shall be the base jurisdiction of the lessee (carrier), regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes by the lessor or lessee.
  - b. The lessor (independent contractor, agent, or service representative) when the qualified motor vehicle is being operated under the lessor's jurisdictional operating authority. The base jurisdiction for purposes of this agreement shall be the base jurisdiction of the lessor, regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes.
5. No member jurisdiction shall require the filing of such leases, but you must make the leases available upon request of any member jurisdiction.





# IV. License Cancellation, Suspension, Revocation and Reinstatement

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## A. License Cancellation

The IFTA license may be canceled at the request of any licensee provided all reporting requirements and tax liabilities to all member jurisdictions have been satisfied. The final box on the IFTA quarterly tax report may be checked to indicate the end of operations under IFTA. The license may also be canceled by submitting a written request for cancellation. Upon cancellation, the licensee must destroy the IFTA license and all unused IFTA decals.

## B. License Suspension and Revocation

An IFTA license may be suspended and/or revoked for any of the following reasons:

1. Failure to file an IFTA quarterly tax report;
2. Failure to remit all taxes due all member jurisdictions;
3. Failure to pay and/or protest an audit assessment within the established time period; or
4. Failure to maintain adequate records or make records available when requested.

The Department will notify all member jurisdictions when a suspension or revocation has occurred or has been released. **Do not operate vehicles when a license has been revoked or suspended.**

## C. License Reinstatement

The Department may reinstate an IFTA license once the licensee files all required reports and satisfies all outstanding liabilities due to all member jurisdictions.



# V. Record-Keeping Requirements

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## A. Mileage Records

It is the licensee's responsibility to maintain records of all interstate operations of qualified motor vehicles. The licensee's records must support the information reported on the quarterly tax report. The Individual Vehicle Mileage Record (IVMR), as required for the International Registration Plan, is an acceptable source document for recording vehicle mileage information. Another acceptable source document is a trip report which must include:

1. Date of trip (starting and ending);
2. Trip origin and destination (including city and state);
3. Routes of travel;
4. Beginning and ending odometer readings;
5. Total trip miles;
6. Mileage by jurisdiction;
7. Vehicle unit number; and
8. Licensee's name.

## B. Fuel Receipts

The licensee must maintain complete records of all fuel purchases. Separate totals must be compiled for each fuel type. Fuel types include Diesel, Gasoline, Gasohol, Propane and Natural Gas. The fuel records must contain:

1. Date of purchase;
2. Name and address of seller;
3. Number of gallons purchased;
4. Type of fuel purchased;
5. Price per gallon;
6. Unit number or license plate number of the vehicle into which the fuel was placed; and
7. Purchaser's signature.

Acceptable fuel receipts include an invoice or a credit card receipt. Receipts which contain alterations or erasures will not be accepted.



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### **C. Bulk Fuel Storage**

A licensee who maintains bulk storage may obtain credit for tax paid on fuel withdrawn from that storage facility if the following records are maintained:

1. Date of withdrawal;
2. Number of gallons withdrawn;
3. Fuel type;
4. Unit number or license plate number of the vehicle into which the fuel was placed; and
5. Purchase and inventory records to substantiate that the tax was paid on all bulk fuel purchases.

### **D. Record Retention Period**

Every licensee shall maintain records to substantiate information reported on the quarterly tax report. These records must be maintained for a period of four (4) years from the due date of the return or the date that the return was filed, whichever is later. Records must be made available upon request by any member jurisdiction.



## VI. Audit

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The base jurisdiction shall audit its licensees on behalf of all member jurisdictions. This shall not preclude another jurisdiction from also auditing a licensee. In that event, that jurisdiction shall pay all its audit expenses.

In the event that the licensee's records are not located in the base jurisdiction and the base jurisdiction must send auditors to the place records are kept, the base jurisdiction may require the licensee to reimburse the base jurisdiction for reasonable per diem and travel expenses of its auditors as authorized by law.

If any licensee fails to make records available upon proper request or if any licensee fails to maintain records from which the licensee's true liability may be determined, a base jurisdiction may, thirty (30) days after requesting in writing that the records be made available or receiving notification of insufficient records, determine a tax finding for each jurisdiction based upon the commissioner's determination of the tax liability of such licensee. The commissioner may make a determination from information previously furnished by the licensee, if available, and any other pertinent information that may be available to the commissioner.

## VII. Appeals

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A licensee or applicant may appeal an action or audit finding issued by the commissioner of any member base jurisdiction by making a written request for a hearing within thirty (30) days after the service of notice of the original action or finding. If the hearing is not requested within thirty (30) days in writing, the original finding or action is final.

In the event that the licensee appeals an assessment for one or more jurisdictions, it will be the responsibility of the base jurisdiction to participate in the appeals process on the behalf of the other jurisdictions. The appeals process will be conducted according to the procedures established by the base jurisdiction.

## VIII. Power of Attorney

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If a licensee uses a reporting service for motor fuel use tax reporting, a Power of Attorney must be placed on file annually at the time of renewal. Filing a Power of Attorney does not relieve the licensee of their legal obligations associated with the license. The licensee is still responsible for the payment of taxes as well as all acts and omissions of the reporting service.



# Definitions

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**Base Jurisdiction**

The member jurisdiction where qualified motor vehicles are based for vehicle registration purposes and:

- ➔ where the operational control and operational records of the licensee's qualified motor vehicles are maintained or can be made available; and
- ➔ where some travel is accrued by qualified motor vehicles within the fleet. The commissioners of two or more affected jurisdictions may allow a person to consolidate several fleets which would otherwise be based in two or more jurisdictions.

**Cancellation**

The annulment of a license and its provisions by either the licensing jurisdiction or the licensee.

**Commissioner**

The official designated by the jurisdiction to be responsible for administration of this agreement.

**Fleet**

One or more vehicles.

**In-Jurisdiction Miles**

The total number of miles or kilometers operated by a registrant's/licensee's qualified motor vehicles within a jurisdiction. In-jurisdiction miles or kilometers do not include those operated on a fuel tax trip permit or those exempted from fuel taxation by a jurisdiction.

**Jurisdiction**

A State of the United States, the District of Columbia or a Province or Territory of Canada.

**Lessee**

The party acquiring the use of equipment with or without a driver from another.

**Lessor**

The party granting the use of equipment with or without a driver to another.

**Licensee**

A person who holds an uncanceled agreement license issued by the base jurisdiction.

**Motor Fuels**

All fuels used for the generation of power for propulsion of qualified motor vehicles.

**Person**

An individual, corporation, partnership, association, trust or other entity.

**Qualified Motor Vehicle**

A motor vehicle used, designed or maintained for transportation of persons or property and:

- ➔ having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
- ➔ having three or more axles regardless of weight; or
- ➔ used in combination when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle weight.

“Qualified motor vehicle” does not include recreational vehicles.

**Reporting Period**

A period of time consistent with the calendar quarterly periods of January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31.

**Revocation**

The withdrawal of license and privileges granted to the licensee by the licensing jurisdiction.

**Single-Trip Permit**

In lieu of registration in a motor fuel use tax program, an interstate motor carrier who operates qualified commercial vehicles in Massachusetts must purchase 72-hour single-trip permits at an anticipated cost of \$20.00.

**Suspension**

The temporary removal of privileges granted to the licensee by the licensing jurisdiction.

**Temporary IFTA Decal Permit (IFTA only)**

A permit issued by the base jurisdiction to be carried in a qualified motor vehicle in lieu of displaying the permanent annual decals. A temporary permit is valid for a period of thirty (30) days to allow the carrier adequate time to affix the permanent decals. The temporary IFTA permit will only be issued to currently registered IFTA carriers.

**Total Miles**

All miles traveled during the reporting period by every qualified vehicle in the licensee's fleet, regardless of whether the miles are considered taxable or nontaxable by a jurisdiction.

**Weight**

The maximum weight of the loaded vehicle or combination of vehicles during the registration period.